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COVID-19 policy actions and inflation targeting in South Asia

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ABSTRACT

In this paper, we examine the impact of policy actions undertaken by governments during the COVID-19 pandemic on Consumer Price Index (CPI) in five major South Asian nations, namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka. Using panel fixed effects regression with robust standard errors, we show the relative importance of monetary and financial interventions on reducing CPI while fiscal interventions, direct grants and aid are insignificant. Further, delving into nature of policy interventions, our study finds evidence of negative impact of Credit Support, and Healthcare Support on CPI in South Asian nations. While our investigation is preliminary, it provides insights into additional understanding of effectiveness of policy actions on inflation targeting.

1. Introduction

The literature on COVID-19 and its impact on financial markets and economic landscape has grown since the pandemic outbreak in the first quarter of 2020. Different streams of literature have evolved studying the pandemic and its role in shaping financial and economic systems; surveys of the literature can be found in Padhan and Prabheesh (2021) and Narayan (2021).[1]

The current literature has focused more on the financial markets as highlighted by Padhan and Prabheesh (2021). Our study connects to a sub-sector of this literature that investigates the efficacy of policies that have evolved in response to the pandemic (See: for instance, Narayan, Phan, & Liu, 2021; Bannigidadmath, Narayan, Phan, & Gong, 2021; Baig, Butt, Haroon & Rizvi, 2021; Prabheesh, Juhro, & Harun, 2023; Iyke, Sharma and Gunadi, 2027; Jena & Mishra, 2022; Musunuru & Jawed, 2022; Dash & Sethi, 2022; Ertimi, Sarmidi, Khalid, & Ali, 2022). These studies have primarily focused on lockdowns, travel bans and stimulus packages introduced by the governments. A research gap which is obvious in the current literature is understanding of these policies on the economic indicators and the relative importance of different kind of policies announced during the pandemic by multitude of policy makers.[2] A recent paper by Rizvi, Juhro, and Narayan (2021) suggests the efficacy of fiscal policies in stabilizing equity markets in South East Asian nations while monetary actions not showing short term significant impact.

For most policy makers in developing nations in the current times the major objective is inflation targeting (Fracasso, Genberg, &

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[1] There are now several special issues on the COVID-19 pandemic; we refer interested readers to the special issues of Sha and Sharma (2020) and Sharma and Sha (2020a) as they cover a wide range of economics and finance topics.

[2] In responding to the impact of the COVID-19 pandemic, authorities in various countries introduced and implemented extraordinary measures to mitigate the effects of the pandemic. The main fiscal policy response was economic stimulus, at least in countries that had the fiscal space to accommodate this policy.

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Wyplosz, 2003; Rizvi & Sahminan, 2020; Tuladhar, 2005). Our hypothesis is that inflation represented by Consumer Price Index would react heterogeneously to different kinds of policy interventions and also on the nature of policy action. Interventions from government will exert short term and long term pressure on Price indices depending on the nature of policy actions. Earlier literature discusses the impact of policies, monetary and macroprudential, by suggesting the impact of macroprudential policies to be only sector specific (See: Borio & Drehmann, 2011; Stein, 2013). Recent work of Kim and Mehrotra (2018), Jordà, Schularick, and Taylor (2015), Smets (2018) and Claessens (2013) have highlighted the shift to studying diverse and aggregate policy measures in understanding inflation targeting. This is in contrast to earlier works of Angelini, Neri, and Panetta (2014), Bailliu, Meh, and Zhang (2015) and Rabanal and Quint (2013) who focused on sticky-price models by incorporating interest rate instruments.

The key question from government and policy makers in the current pandemic phase is whether their actions and interventions are resulting in the maintenance of price stability. Our hypothesis based on the above discussions is that policy actions and government interventions assist in maintaining price stability and inflation targeting measured via Consumer Price Index (CPI). In this paper, we propose to test this proposition, by estimating a determinants embedded model for CPI via controlling for COVID stringency and lockdowns as discussed in currently evolving literature of COVID-19 (Narayan, 2021; Bannigidadmath et al., 2021; Baig, et al., 2021). This is further augmented by understanding the response of CPI to the type of policy intervention as well as its nature to guide policymakers.

Focusing on selected member countries of the South Asian Association of Regional Cooperation (SAARC)[3] namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka, our finding suggest that monetary actions and financial actions are effective in depressing CPI while fiscal actions, and direct grants/aid do not have any significant effect in these SAARC countries. The pandemic has witnessed a derby of government action of different nature spanning from Monetary, Fiscal, Grants and Financial. These actions under these four broader categories have had different nature and sectoral focus ranging from Budgetary Support, Credit Support, Income Support, Regulatory Action and Healthcare Support. Our secondary finding suggests that Credit Support and Healthcare Support specifically had significant impact in lowering CPI for the sample countries.

This study makes contribution in two aspects. Firstly, this study is amongst the first to study and document the role of government policies and its impact on CPI and economic indicators during the COVID-19 pandemic (See: Long, Chang, Jegajeevan, & Tang, 2022; Zhang H, 2021; Rizvi, Juhro, & Narayan, 2021; Fu, Alleyne, & Mu, 2021) We were able to distinguish policy actions between monetary and financial actions in comparison with fiscal actions and grants/aid. An important implication of these findings is that fiscal actions may take a longer time to take effect in impacting the CPI in economies while grants/aid are more temporary measures. As suggested by Rizvi et al. (2021), monetary and fiscal measures' impact on economy is intertwined. Additionally, our analysis suggests that amongst the varied nature of policy actions, direct credit support and healthcare targeted policy actions significantly impacted the CPI in the SAARC countries considered. Healthcare Support impact suggests that in sample countries where public health structures are still in developing phase provided support in curbing rising inflation.

Second, our findings contribute to enhancing the evolving literature on the impact of COVID-19 in Asian countries' financial and economic systems (see, for instance, Jiang, Nie, & Monginsidi, 2017; Thampanya, Wu, Nasir, & Liu, 2020; Devpura, 2020; Bing, 2021; Yang & Deng, 2021; Gil-Alana & Claudio-Quiroga, 2020; Sharma, 2020; Salisu, Lasisi, & Olaniran, 2021; Behera & Rath, 2021; Zhang L, 2021; Thaker, 2022; Bouhali, Dahbani, & Dinar, 2022; Darjana, Wiryono, & Koesrindartoto, 2022).

On the policymakers' front with multitude of interventions and actions, policy coordination is urgently needed so that their impact on growth, inflation, and financial stability can be optimized. Our study contributes to this policymakers' dilemma by focusing on the impact on price stability measured via CPI. Our findings contribute to the understanding of policymakers by suggesting reliance on more monetary measures to maintain price stability rather than fiscal actions or aids/grants. On the specific nature of actions to be undertaken this study contributes by suggesting focus on Credit Support, and Healthcare Support as key measures assisting in curbing consumer price index.

While we contribute to the literature, our current study has limitations too which we address in Section IV. The remainder of the paper proceeds as follows. Section II explains data and methodology. Section III has the results while the final section concludes.

2. Data and methodology

In this study, we employ monthly data from March 2020 till May 2021.[4] Our sample of countries includes five major SAARC member countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. In order to understand how policy actions during COVID-19 impacted the Consumer Price Index (CPI) in SAARC region, we collected data on major policy actions undertaken during our sample period. The data is sourced through Yale Program on Financial Stability (YPFS) and IMF Policy Databases. The data was further cross-verified through each countries policymakers' announcement and press releases.[5]

[3] The SAARC region has nearly 20 % of world population at 1.7 billion people with a rapid economic growth in excess of 4 % annually since 2000 and is estimated to recover post pandemic to 7 % growth in 2021.

[4] The date range is based on availability of data of policy announcements, and also the severity of pandemic in the SAARC region. Post March 2021, with vaccination rollouts, the pandemic waves subsided to some extent. Across all countries in SAARC region the major policy actions are undertaken until May 2021.

[5] Sufficient care was given to consider all announcements by going through several databases, but there can be policy measures that may have been missed in them. Further, some measures (like ongoing increases of allocations) may not be captured under policy announcements, as they are more of a day-to-day basis measures.

In total Bangladeshi, Indian, Nepalese, Pakistani and Sri Lankan policy makers undertook 62, 128, 36, 28 and 47 policy actions during the sample period (For monthly breakdown See Table 1). These policy actions are classified by type under four categories, Fiscal Actions, Monetary Actions, Direct Aids/Grants and Financial Actions (Table 2 Panel A). At a secondary level we further classify the policy actions by their nature into Budgetary Support, Credit Support, Income Support, Regulatory Action and Healthcare Support. Table 2 panel A and B presents the data for each classification of policy action by Type and nature.[6]

For understanding the relationship between how policy actions impacted the CPI in SAARC countries, we use the panel regressions with robust standard error. Country fixed effects are included in every regression to incorporate the unique characteristics of each country.[7] The estimates are controlled for COVID related economic and social restrictions as measured by the COVID Stringency Index. The model used in this paper is as follows:

$$CPI_{it} = \alpha + \beta_1 Ms_{it} + \beta_2 ER_{it} + \beta_3 PR_{it} + \beta_4 SI_{it} + \beta_5 PA_{it} + \varepsilon \quad (1)$$

where, *Ms* represents Money Supply measured by M2 sourced from International Financial Statistics (IFS).; *ER* is the nominal Exchange Rate sourced from IFS; *PR* is Policy Rate sourced from IFS; *SI* is Stringency Index; and *PA* are the dummy variable for Policy Actions classified by Type and Nature. As a robustness test we have also used M3 as an alternative measure of Money Supply.

3. Results and analysis

Table 1 present the number of policy actions and interventions undertaken by each government in the selected countries. Table 1 further highlights the number of actions on a monthly basis for each country. It can be noticed that majority of the actions and interventions happened in the first five months of the pandemic from March 2020 till July 2020, where all governments used a plethora of tools available to intervene and manage stable economic growth and subdue inflation. Post this each country followed its own course depending on their strategy and COVID-19 related waves.

In Table 2 Panel A, the policymakers' actions are further classified by type and it can be seen, that each country pursued different measures. While India used monetary related actions the most during the sample period, Nepal and Pakistan relied more heavily on Aids/Grants while Bangladesh and Sri Lanka used financial interventions most. As earlier highlighted all actions of policymakers are intertwined in achieving the objective of economic stability. Table 2 Panel B further classifies the actions by policymakers by their nature, and diversity across SAARC countries is evident in it as well. While India and Sri Lanka are heavier on Regulatory Actions, Bangladesh and Pakistan relied more on Credit Support actions and Nepal targeted Income Support. The preliminary overview of the policymakers' actions and interventions present a picture of delicate balance between multiple types and nature of actions.

To analyze which and how policy actions impacted the CPI in SAARC countries, we use a panel regression with robust standard errors. In line with earlier works on CPI based inflation and money supply (See: Thompson & Thompson, 2021; Farazmand & Moradi, 2015; Adi & Riti, 2017; Narayan, Narayan, & Prasad, 2006), our findings suggest a significant positive relationship between money supply and inflation during pandemic for all variants of our model. Amongst the different types of actions of policymakers our findings suggest that only monetary policy and financial actions had a significant negative impact on CPI in SAARC member countries during COVID-19 while for fiscal measures and Grants/Aids our findings are inconclusive (Results available in Table 3).

Since during the pandemic most monetary policy actions undertaken by the governments were rapid and unexpected as the world chartered into a once in a century like situation, the significant impact of monetary actions on reducing CPI is similar to earlier studies (See: Lovcha and Perez-Laborda, 2018; Mishchenko, Naumenkova, Mishchenko, & Ivanov, 2018; Boneva, Cloyne, Weale, & Wieladek, 2018). We also find that the Stringency Index does not have a significant effect on CPI of the sample countries. The Stringency Index is a composite index compiled based on a multitude of indicators that can be considered as a proxy of the severity of the pandemic at a given time within a country. Accordingly, our result implies that for the selected countries, the severity of the pandemic does not have a significant impact on CPI.

We further attempt to understand the efficacy of what nature of actions of policymakers impact the CPI during COVID times in Table 4 by studying our earlier model with nature of policy action dummy variables. While the actions could be classified in five major categories Budgetary Support, Credit Support, Income Support, Regulatory Action and Healthcare Action, our findings suggest a significant impact of Credit Support and Healthcare Support in reducing CPI in SAARC member countries. Understandably the impact of credit support is significant as well as magnitude of coefficient is higher with the adverse impact of COVID-19 on credit risk in the financial systems and in effect the whole economy also highlighted by Wu and Olson (2020). Wu and Olson (2020) at the start of pandemic had highlighted the critical need of credit support to prop up economies as well as save the financial sector from a complete collapse with extended lockdowns and prolonged stringent measures to curb the spread of virus. These findings are similar to Cirera et al. (2021) and Mosser (2020) who highlighted targeted Credit Support as the key tool in the arsenal of monetary policymakers in order to stabilize prices and the economy.

[6] The Classification is undertaken to most appropriate category. While some broad measures remained unclassified to a specific sub-category.

[7] We have undertaken our analysis based on Fixed-effect (FE) owing to the nature of the data and this has been empirically tested through Hausman test between fixed effect and random effect. The results of Hausman test preferred FE estimator. In the interest of brevity these results are not added in the paper and available with author.

Table 1
Policy actions in SAARC countries.

	Bangladesh	India	Nepal	Pakistan	Sri Lanka
Total	62	128	36	28	47
Mar-20	10	28	5	9	11
Apr-20	20	33	7	8	12
May-20	11	33	4	3	8
Jun-20	7	13	8	4	5
Jul-20	8	5	6	1	5
Aug-20	2	6	0	0	0
Sep-20	0	4	2	1	0
Oct-20	0	1	1	0	1
Nov-20	1	0	0	1	2
Dec-20	1	3	1	1	0
Jan-21	0	0	0	0	0
Feb-21	1	1	0	0	0
Mar-21	0	0	1	0	1
Apr-21	0	0	1	0	1
May-21	1	1	0	0	1

This table tabulates the number of policy actions undertaken by SAARC Member countries namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka. The first row shows the total number of policy measures taken by each country during the sample period of March 1, 2020 till May 31, 2021. Below that monthly tally is presented for each country.

Table 2
Policy actions classified by type and nature SAARC countries.

	Bangladesh	India	Nepal	Pakistan	Sri Lanka
Panel A: Type of Policy Action					
Monetary	8	24	2	4	8
Fiscal	13	45	12	4	16
Aid/Grant	16	10	17	11	6
Financial	25	49	5	9	17
Panel B: Nature of Policy Action					
Budgetary Support	2	2	0	0	1
Credit Support	15	14	2	6	7
Income Support	8	21	7	0	6
Regulatory Action	10	45	3	3	13
Healthcare Support	2	6	5	4	4

This table tabulates the number of policy actions classified by Type and Nature of those actions undertaken by SAARC Member countries namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka during the sample period of March 1, 2020 till May 31, 2021. Panel A presents the classification of Policy Actions by Type for each country. Panel B presents the policy actions classified by their nature.

4. Concluding remarks

In this paper, we examine the impact of policy actions undertaken by governments during the COVID-19 pandemic on Consumer Price Index (CPI) five major South Asian nations, namely, Bangladesh, India, Nepal, Pakistan and Sri Lanka. Our hypothesis is that inflation represented by Consumer Price Index would react heterogeneously to different kinds of policy interventions and also on the nature of policy action. Interventions from government will exert short term and long term pressure on Price indices depending on the nature of policy actions. The key question facing government policymakers during the current pandemic is whether their actions and interventions are resulting in maintaining price stability Tables 5 and 6.

In the race where coordinated effort across the spectrum of policy actions available in the arsenal of the governments in SAARC regions, each country has followed a unique mix of interventions depending on their economic, social and ground realities. Our findings suggest that monetary actions and financial actions are more effective in reducing CPI in SAARC region, specifically Credit Support and Healthcare Support related policy interventions. Our findings do not provide significant evidence to suggest that fiscal policy is effective in reducing CPI in the sample.

The impact of insignificant impact of fiscal policy and grants/aid on CPI may occur in our findings owing to focus on short-term impact. As highlighted by Asandului, Lupu, Maha, and Viorică (2021), the impact of fiscal policy and stimuluses tends to impact CPI negatively in longer term only and insignificant in short-term, owing to the nature of pass-through effect of these actions. To put our findings into perspective, we need to reiterate the fact that the policy actions and intervention across the spectrum of monetary, fiscal, financial and Direct Grants in various countries is generally carried out in a coordinated manner at the national level. Especially during COVID-19 period all the SAARC member countries formed COVID-19 coordination groups at the upper echelons of government to coordinate all government actions.

In closing, we acknowledge that our work is preliminary. We do not address all matters relating to government actions and policy effectiveness during the pandemic as it is still an ongoing phase. A limitation of our study similar to the recent work of Narayan et al.

Table 3
Regression Results Classified for Type Policy Actions.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Money Supply	0.257 * *	0.257 * *	0.241 * *	0.150 * **	0.210 *	0.251 * *	0.181 *
	(3.85)	(3.74)	(4.19)	(6.35)	(2.14)	(3.81)	(2.37)
Exchange Rate	5.781	5.975	6.188	5.819	5.300	5.099	6.943
	(1.00)	(1.15)	(1.09)	(1.34)	(0.97)	(0.98)	(1.57)
Policy Rate	-1.000 * *	-0.983 * **	-0.753	-0.597 * *	-0.819 * *	-0.767 * *	-0.722 * *
	(−4.10)	(−5.25)	(−1.07)	(−2.83)	(−3.56)	(−3.17)	(−3.22)
COVID Stringency		0.000908	-0.0120	0.00161	0.000652	0.00220	0.00169
		(0.16)	(−0.28)	(0.35)	(0.13)	(0.40)	(0.30)
COVID Support			0.0195				
			(0.34)				
Monetary Action				-0.0237 * *			
				(−3.63)			
Fiscal Action					-0.0104		
					(−1.06)		
Grants/Aid						-0.00910	
						(−2.04)	
Financial Action							-0.0147 *
							(−2.14)
Constant	1.735	1.733	1.905 *	3.183 * **	2.368	1.800	2.748 *
	(1.80)	(1.81)	(2.36)	(8.99)	(1.73)	(1.95)	(2.60)
N	75	75	75	75	75	75	75

The table shows the results for fixed effect regression results for the sample countries (Bangladesh, India, Nepal, Pakistan & Sri Lanka). Model 1 is the base model which controls the CPI for Money Supply (M2), Exchange Rate and Policy Rate. Model 2 and 3 introduce COVID measures of Stringency and Support. Model 4 − 7 shows the results with using dummy variable for policy actions classified by Monetary Action, Fiscal Action, Grants/Aid and Financial Actions targeting economy revival. The t-statistics are reported in parentheses and significance levels are denoted with asterisk for * $p < 0.10$, * * $p < 0.05$, and * ** $p < 0.01$.

Table 4
Regression Results Classified by Nature of Policy Actions.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Money Supply	0.257 * *	0.241 * *	0.249 * *	0.200 * *	0.215 *	0.244 *	0.243 * *
	(3.85)	(4.19)	(3.52)	(3.17)	(2.45)	(2.26)	(3.24)
Exchange Rate	5.781	6.188	5.660	2.089	5.854	6.401	5.305
	(1.00)	(1.09)	(1.12)	(0.33)	(1.23)	(1.55)	(1.01)
Policy Rate	-1.000 * *	-0.753	-0.963 * **	-0.423	-1.044 * **	-0.958 * *	-0.871 * **
	(−4.10)	(−1.07)	(−4.76)	(−1.33)	(−4.87)	(−4.34)	(−4.62)
COVID Stringency		-0.0120	0.00189	0.00253	0.00113	0.000820	-0.000536
		(−0.28)	(0.30)	(0.48)	(0.20)	(0.15)	(−0.11)
COVID Support		0.0195					
		(0.34)					
Budgetary Support			-0.00927				
			(−1.16)				
Credit Support				-0.0187 * *			
				(−2.92)			
Income Support					-0.00944		
					(−1.11)		
Regulatory Action						-0.00255	
						(−0.20)	
Healthcare Support							-0.00661 * *
							(−2.63)
Constant	1.735	1.905 *	1.834	2.512 * *	2.307	1.905	1.923
	(1.80)	(2.36)	(1.86)	(2.82)	(1.89)	(1.29)	(1.83)
N	75	75	75	75	75	75	75

The table shows the results for fixed effect regression results for the sample countries (Bangladesh, India, Nepal, Pakistan & Sri Lanka). Model 1 is the base model which controls the CPI for Money Supply (M2), Exchange Rate and Policy Rate. Model 2 introduces COVID measures of Stringency and Support. Model 3 − 7 shows the results with using dummy variable for nature of policy actions undertaken, classified as Budgetary Support Measures, Credit Support, Income Support, Regulatory Actions & Healthcare related actions The t-statistics are reported in parentheses and significance levels are denoted with asterisk for * $p < 0.10$, * * $p < 0.05$, and * ** $p < 0.01$.

(2021) on policy announcements during COVID-19 is related to data on government action. As a start in this sphere of research we have used a large dataset of government actions cross-verified from multiple sources, but it does not capture the intensity of these actions, the recurrence or continuation of some measures, and their geographical scale of impact. This is a potential gap for future research where further studies can consider using impact of these government actions or its proxies in understanding the efficacy of government

Table 5
Regression results classified for type policy actions (Robustness Check).

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Money Supply	0.202 * *	0.202 * *	0.176 *	0.106 * *	0.137	0.203 * *	0.118 *
	(2.84)	(2.80)	(2.48)	(4.36)	(1.74)	(3.23)	(2.33)
Exchange Rate	10.69	10.96	10.93	8.323	8.811	9.564	10.34
	(1.32)	(1.49)	(1.41)	(1.51)	(1.09)	(1.41)	(1.64)
Policy Rate	-1.372 * **	-1.345 * **	-0.898	-0.719 * **	-0.881 *	-1.055 * *	-0.848 * *
	(−6.20)	(−8.46)	(−1.12)	(−5.67)	(−2.15)	(−4.52)	(−4.49)
COVID Stringency		0.00132	-0.0225	0.00192	0.00154	0.00280	0.00223
		(0.25)	(−0.48)	(0.43)	(0.28)	(0.57)	(0.41)
COVID Support			0.0358				
			(0.57)				
Monetary Action				-0.0274 * *			
				(−4.24)			
Fiscal Action					-0.0172		
					(−1.65)		
Grants/Aid						-0.0106	
						(−2.13)	
Financial Action							-0.0203 * *
							(−4.26)
Constant	2.383 *	2.378 *	2.665 *	3.721 * **	3.283 * *	2.357 *	3.533 * **
	(2.28)	(2.30)	(2.71)	(12.04)	(2.89)	(2.57)	(4.85)
N	75	75	75	75	75	75	75

The table shows the results for fixed effect regression results for the sample countries (Bangladesh, India, Nepal, Pakistan & Sri Lanka) using M3 as alternate measure of money supply. Model 1 is the base model which controls the CPI for Money Supply (M3), Exchange Rate and Policy Rate. Model 2 and 3 introduce COVID measures of Stringency and Support. Model 4 − 7 shows the results with using dummy variable for policy actions classified by Monetary Action, Fiscal Action, Grants/Aid and Financial Actions targeting economy revival. The t-statistics are reported in parentheses and significance levels are denoted with asterisk for * $p < 0.10$, * * $p < 0.05$, and * ** $p < 0.01$.

Table 6
Regression results classified by nature of policy actions (Robustness Test).

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Money Supply	0.202 * *	0.176 *	0.196 * *	0.145 * *	0.148 *	0.163	0.187 *
	(2.84)	(2.48)	(2.82)	(3.31)	(2.20)	(1.97)	(2.65)
Exchange Rate	10.69	10.93	9.714	4.801	9.960	11.65	9.153
	(1.32)	(1.41)	(1.35)	(0.59)	(1.40)	(1.73)	(1.33)
Policy Rate	-1.372 * **	-0.898	-1.361 * **	-0.554	-1.302 * **	-1.183 * **	-1.154 * **
	(−6.20)	(−1.12)	(−8.37)	(−1.95)	(−6.97)	(−5.25)	(−4.97)
COVID Stringency		-0.0225	0.00198	0.00323	0.00176	0.000905	-0.000484
		(−0.48)	(0.36)	(0.66)	(0.29)	(0.15)	(−0.11)
COVID Support		0.0358					
		(0.57)					
Budgetary Support			-0.0159 *				
			(−2.33)				
Credit Support				-0.0232 * **			
				(−6.13)			
Income Support					-0.0139		
					(−1.70)		
Regulatory Action						-0.00979	
						(−0.94)	
Healthcare Support							-0.0119 * *
							(−3.18)
Constant	2.383 *	2.665 *	2.471 *	3.180 * **	3.139 * *	2.914 *	2.593 *
	(2.28)	(2.71)	(2.47)	(5.05)	(3.25)	(2.50)	(2.53)
N	75	75	75	75	75	75	75

The table shows the results for fixed effect regression results for the sample countries (Bangladesh, India, Nepal, Pakistan & Sri Lanka) using M3 as alternate measure of money supply. Model 1 is the base model which controls the CPI for Money Supply (M2), Exchange Rate and Policy Rate. Model 2 introduces COVID measures of Stringency and Support. Model 3 − 7 shows the results with using dummy variable for nature of policy actions undertaken, classified as Budgetary Support Measures, Credit Support, Income Support, Regulatory Actions & Healthcare related actions The *t*-statistics are reported in parentheses and significance levels are denoted with asterisk for * $p < 0.10$, * * $p < 0.05$, and * ** $p < 0.01$.

actions better.

Data Availability

Data will be made available on request.

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